



## THE CITY OF SAN DIEGO

DATE: October 18, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – September 2010**

---

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of September 2010. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- September 8, 2010 – Issued a memo to the Audit Committee with proposed responses to findings and recommendations from two Grand Jury reports, Ethics In Government: Codes Of Ethics, Internal Controls, Fraud Hotlines, and San Diego's City Financial Crisis: The Past, Present, and Future. Specifically, the memo provided proposed responses to four findings and three recommendations made to the Audit Committee related to the City's fraud hotline program, and one finding and two recommendations directed to the Audit Committee regarding the City Auditor's future performance audits. The memo can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/proposed\\_grand\\_jury\\_report\\_responses.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/proposed_grand_jury_report_responses.pdf)
- September 13, 2010 – Presented the City Auditor's proposed responses to the Grand Jury reports to the Audit Committee. The Audit Committee accepted the City Auditor's recommendations. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/grandjuryrecompres.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/grandjuryrecompres.pdf)
- September 13, 2010 – Presented our Performance Audit of Risk Management's Public Liability and Loss Recovery Division report to the Audit Committee. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/rpt11-001presentation.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/rpt11-001presentation.pdf)

- September 16, 2010 – Issued a memo with options for a performance audit of the Public Utilities Department to the Independent Rates Oversight Committee (IROC) Members. The memo can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/ircoauditoptions091610%20.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/ircoauditoptions091610%20.pdf)
- September 27, 2010 – Presented the City Auditor's proposed responses to the Grand Jury reports to the City Council. The City Council accepted the City Auditor's recommendations. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/grandjuryethics\\_council.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/grandjuryethics_council.pdf)

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Fire Rescue – Fire Prevention Audit</b>	The primary objective of this audit is to assess the efficiency and effectiveness of the City’s fire prevention program. The report was issued on October 6, 2010.	October 2010	1,251	1,080
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report in December 2009 regarding Development Services’ lack of referrals to City Treasurer for collection efforts. A draft audit report was sent to the department for review on September 16, 2010.	October 2010	914	921
<b>General Services - Streets Division Roadways Audit (Part I &amp; II)</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. We issued a report on Part I, and on August 26, 2010, we provided a second report on Part II to the department for review. Our preliminary testing uncovered risks which required additional audit testing and a Part II audit. As a result, budgeted hours will be exceeded and does not reflect hours for two reports.	Part II November 2010	3,699	1,574

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. A draft audit report is under audit management review. One report has already been issued during this audit.	November 2010	3,148	3,407
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting a close-out audit for Jim Barrett, former Public Utilities Director. We have used approximately 43 audit hours this fiscal year on close out audits.	November 2010	43	240

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Capital Improvement Projects Audit</b>	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress.	Part I December 2010	1,897	2,880
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit fieldwork is in progress.	January 2011	130	600
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City’s Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of September, there were 6 new Hotline calls received.	On-going	398  (Fiscal Year 2011 Hours)	1,560  (Fiscal Year 2011 Hours)

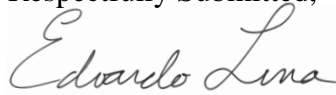
Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Follow-up on Audit Report Recommendations</b>	The City Auditor tracks all audit recommendations made since FY08. Comptroller staff contacts those responsible for implementing our recommendations and provides regular status data to the City Auditor on all implemented recommendations. We verify if recommendations have actually been implemented and report the implementation status on a semi-annual follow-up report. The semi-annual follow-up report was issued on October 6, 2010.	On-going	866  (Fiscal Year 2011 Hours)	600  (Fiscal Year 2011 Hours)
<b>Public Utilities – Water Department and Metropolitan Wastewater Audits</b>	The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee (IROC) to conduct audits of the Public Utilities department. We completed and presented a risk assessment to IROC on September 20, 2010. The City Auditor will be conducting an audit of Public Utilities CIP.	TBD	255	2,600
<b>Fire Rescue – Emergency Medical Services Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's Emergency Medical Services and related partnership with Rural/Metro of San Diego. Audit background and preliminary survey are in progress.	TBD	701	1,800

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>City Treasurer – Parking Administration Audit</b>	The objective of this audit is to determine if the collections for parking citations is being properly accounted for and efficiently and effectively handled. Audit background and preliminary survey are in progress.	TBD	76	1,280
<b>Police Department – Fiscal Services (License and Permit Fees)</b>	The objective of this audit is to determine if the Police Department is efficiently and effectively collecting license and permit fees owed to the City with adequate internal controls in place. Although audit background and preliminary survey have begun, the audit is on hold pending the availability of additional staff.	TBD	10	1,300

**Planned FY11 Audits Not Yet Started (as of September 30, 2010):**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,500
<b>City Retirement System Audit</b>	1,700
<b>Development Services Department Audit</b>	1,600
<b>General Services – Fleet Services Audit</b>	1,400
<b>Real Estate Assets Department Audit</b>	1,800

Respectfully Submitted,



---

Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Wally Hill, Assistant Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Ken Whitfield, City Comptroller  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst